50-YEAR DECLINING BLOCK

WATER SUPPLY AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

THE CASCADE WATER ALLIANCE

10-02-03

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50-YEAR DECLINING BLOCK
WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF SEATTLE
AND
THE CASCADE WATER ALLIANCE

This Agreement between the City of Seattle, a municipal corporation ("Seattle"), and the Cascade Water Alliance, a non-profit organization of municipalities formed under authority of Chapter 39.30 RCW ("Cascade"), is dated this ____ day of _____, 2003 to be effective January 1, 2004.

Whereas Seattle is a regional water supplier currently providing service to numerous water utilities in King County Washington; and

Whereas the Cascade Water Alliance was formed for the purpose of providing water supply to its Members; and

Whereas the Cascade Water Alliance, desires to enter into a single agreement for water supply with Seattle for some of its Members in lieu of these Members' existing separate contracts with Seattle;

Now therefore, Seattle and Cascade agree to the following terms and conditions for the provision and purchase of a 50-year declining block water supply.

ARTICLE I - AGREEMENT

Seattle agrees to sell to Cascade and Cascade agrees to purchase from Seattle, according to the terms of this Agreement, a wholesale supply of water and the transmission capacity sufficient to deliver such water supply to Cascade.

The term of this Agreement is fifty (50) years, with an effective date of January 1, 2004 and a termination date of December 31, 2053.

Apart from the contract right to purchase water from Seattle under the terms of this Agreement, neither Cascade nor any Cascade Member has any right or claim to the Seattle Water System, the Cedar and Tolt Rivers and to the Highline Well Fields, or to any other water right or claim held by Seattle. Likewise, Seattle shall have no right or claim to the Cascade Water System or to any groundwater right or claim held by any Cascade Member, or to any future source of supply developed by Cascade or by any of its Members. At the termination of this Agreement, Seattle shall have no further obligation to supply Cascade or any Cascade Member with water, with the exception of Cascade's right to purchase up to 5.3 MGD as set forth in Section 3.5.

ARTICLE II - DEFINITIONS

Average Daily Demand ("ADD"). The amount of water supplied by the Seattle Water System to Cascade in a calendar year divided by the number of days in that calendar year.

AWWA. American Water Works Association.

Cascade Block. The total amount of water Seattle commits to supply Cascade under this Agreement, as more fully expressed in Article III.

Cascade Member. A municipal water supplier that has entered into a Membership Agreement with the Cascade Water Alliance.

Cascade Sub-regional System. Seattle Transmission assets serving Cascade Members as listed in Exhibit VII.

Cascade Volume Charge. In any year, the Cascade Volume Charge is the average cost to Cascade of each million gallons of water in the Cascade Block. The Cascade Volume Charge shall be calculated by dividing the projected annual cost of the Cascade Block calculated in accordance with Section 8.9.B, by the product of the Cascade Block and 365.

Cascade Water System. Tangible and intangible assets owned or operated by Cascade useable in connection with the provision of water supply.

Existing Supply System Facilities. Seattle Supply System assets as listed in Exhibit IV.

Existing Transmission System Facilities. Seattle Transmission System assets as listed in Exhibit V.

Firm Yield. The estimated amount of water that Seattle's Supply System can provide according to Seattle's supply reliability standard and expressed in annual average MGD. For purposes of this contract, Seattle's Firm Yield is 171 MGD, unless modified pursuant to Section 3.2.

Management Agreement. A written agreement, pertaining to subjects authorized by this Agreement, between the Director, Seattle Public Utilities, and the General Manager, Cascade Water Alliance.

MGD. Million gallons per day.

Party (ies). Seattle and/or Cascade, as well as their respective successors and assigns.

Peak Month. The consecutive thirty- (30) day period during a calendar year in which Cascade puts its maximum demand upon the Seattle Water System.

Peak Season. June 1 through September 30.

Points of Delivery. Specific metered delivery locations at which Seattle provides a defined level of service.

Rate of Return on Investment. The average cost of debt of the Seattle Water System plus 1.5 percent.

Seattle Water System. The Seattle Supply System as listed in Exhibit IV and the Seattle Transmission System as listed in Exhibit V together comprise the Seattle Water System.

Sub-regional Facilities. Any facilities owned and operated by Seattle that are not identified as Existing Supply System (Exhibit IV), Existing Transmission System (Exhibit V), or Cascade Sub-regional System (Exhibit VII).

ARTICLE III - SUPPLY

3.1 Each calendar year from the effective date of this Agreement through December 31, 2023, Seattle shall make available to Cascade 30.3 MGD Average Daily Demand (the "Cascade Block") based on the current Membership of Cascade as set forth in Exhibit III.

3.2 In the event the Firm Yield of the Seattle Supply System is reduced, the Cascade Block will be reduced in proportion to such reduction in Firm Yield only if the Firm Yield is reduced by order of a State or Federal regulatory agency with appropriate jurisdiction or as the result of updated climatic data utilized in the hydraulic model used to calculate Firm Yield. Cascade shall be notified of any potential change in Firm Yield as far in advance as possible, but in no event less than 180 days prior to the effective date of an adjustment to Firm Yield that affects the Cascade Block.

3.3 Seattle will supply the Cascade Block during the Peak Season and Peak Month as follows below and will be adjusted proportionately in relation to the decreases identified in Section 3.4:

A. During the Peak Season Cascade demand shall not exceed 41.0 MGD

B. During the Peak Month Cascade demand shall not exceed 51.2 MGD

3.4 The Cascade Block shall be adjusted in accordance with the following schedule:

A. Beginning January 1, 2024 through December 31, 2029 Seattle shall make available to Cascade 25.3 MGD Average Daily Demand;
B. Beginning January 1, 2030 through December 31, 2034 Seattle shall make available to Cascade 20.3 MGD Average Daily Demand;
C. Beginning January 1, 2035 through December 31, 2039 Seattle shall make available to Cascade 15.3 MGD Average Daily Demand;
D. Beginning January 1, 2040 through December 31, 2044 Seattle shall make available to Cascade 10.3 MGD Average Daily Demand;
E. Beginning January 1, 2045 through the termination date of this Agreement Seattle shall make available to Cascade 5.3 MGD Average Daily Demand.

3.5 At the conclusion of this Agreement, Cascade shall have the right to purchase up to 5.3 MGD for the sole purpose of serving Cascade Members that cannot be economically served by any other means than the Seattle Transmission System. The right to purchase up to 5.3 MGD shall be exercised by Cascade upon a minimum of one year's written notice to Seattle prior to the expiration of the Agreement, specifying the Block of water from zero to 5.3 MGD and the Cascade Members to be served by that Block.

3.6 All water supplied to Cascade under this Agreement is for the purpose of re-sale to Cascade Members and other customers of Cascade; provided that all water supplied under this Agreement must be used within the designated place of use of Seattle's water certificates, permits, or claims.

3.7 A. Before December 31, 2011, if an agency identified in Exhibit III becomes a Cascade Member, Seattle will release that agency from its obligations under its existing water supply contracts with Seattle in accordance with the provisions of such contract and the Cascade Block will be increased by the allocated amount of water identified in Exhibit III, with corresponding proportional increase to the adjusted Cascade Block in Sections 3.3 and 3.4. If that agency takes delivery of all or a portion of its water through a Sub-regional Facility, Cascade and Seattle shall enter into a Management Agreement for the costs of such facility prior to increasing the Cascade Block.

B. Before December 31, 2011, if a Cascade Member, previously a Seattle wholesale customer, withdraws from Cascade and contracts for water supply directly with Seattle, Cascade will release that Member from its Membership Agreement in accordance with the provisions of such Agreement, and the Cascade Block will be decreased by the amount of allocated water identified in accordance with the provisions of such Agreement in Exhibit III, with corresponding proportional decrease to the adjusted Cascade Block in Sections 3.3 and 3.4. If that agency takes delivery of all or a portion of its water through a Cascade Sub-regional System Facility, Cascade and Seattle shall enter into a Management Agreement for the costs of such facility prior to decreasing the Cascade Block.

3.8 For the purpose of determining the consecutive 30-day period, which constitutes the Peak Month, a daily average delivery may be calculated so long as meter readings occur no fewer than 26 days apart. In such cases, daily average delivery shall be calculated by dividing the total deliveries by the actual number of days between meter readings. Periods less than 26 days shall not be applicable for determining the Peak Month.

3.9 Daily average delivery during the Peak Season may be calculated using meter readings taken closest to June 1 and September 30 each year and dividing the total delivery during such time by the actual number of days between meter readings. Periods less than 110 days shall not be applicable for determining the Peak Season.

3.10 Seattle shall endeavor to read the meters at all Points of Delivery on the same day. In the event that meters at all Points of Delivery cannot be read on the same day, all meter reads for that metering period shall be considered to occur on the day on which the meters measuring the majority of the Cascade volume for that metering period were read.

3.11 Normal operation of the water system includes the periodic shutdown of various facilities for routine maintenance, rehabilitation and replacement. Seattle and Cascade shall cooperate in the timing of such activities. Cascade shall not use such activities as evidence of the unavailability of supply or transmission services provided by Seattle under this Agreement so long as Seattle proceeds in good faith to restore such facilities to service.

3.12 Nothing in this Agreement, including, but not limited to, any penalties for exceedance of the Cascade Block, shall be construed to require Seattle to sell or deliver water in excess of the following amounts:

A. Total deliveries during a calendar year in the amount of the Cascade Block multiplied by 365 days (366 in leap years);
B. Total deliveries during the Peak Season in the amount of the Cascade Block multiplied by 165 days;
C. Total deliveries during the Peak Month in the amount of the Cascade Block multiplied by 51 days;
D. Total deliveries during any consecutive 30-day period from October 1 to May 30 in the amount of the Cascade Block multiplied by 30 days;
E. Total deliveries during any consecutive 7-day period in the amount the Cascade Block multiplied by 13 days;
F. Total deliveries within any one-day period in the amount of the Cascade Block multiplied by 2 days.

Upon notice by Seattle of exceedance of these limits, Cascade must immediately reduce its deliveries of Seattle water. Upon the failure of Cascade to reduce its demand, Seattle may install and operate devices that limit deliveries to Cascade to these amounts, all at Cascade's expense.

ARTICLE IV - TRANSMISSION

4.1 Each calendar year during the term of this Agreement, Seattle shall sell to Cascade and Cascade shall purchase from Seattle capacity in the Seattle Transmission System according to the following terms and conditions:

A. Seattle shall provide capacity sufficient to supply the Cascade Block to Cascade at Cascade's Points of Delivery. Adjustments in the Cascade Block shall result in an equivalent adjustment in Seattle's Transmission capacity commitment. The specific Points of Delivery that are to be adjusted and the adjustment for each Point of Delivery shall be determined by Management Agreement so long as a determination is made that there is no adverse impact on the overall Seattle Water System.

B. Points of Delivery are identified in Exhibit II. The location, hydraulic gradient and instantaneous flows at each Point of Delivery may be changed by Management Agreement.

C. Seattle shall supply water at the inlet side of each Point of Delivery meter at a hydraulic gradient no less than the minimum identified in Exhibit II and with an instantaneous flow rate not to exceed that Point of Delivery's peak day demand as set forth in the same exhibit. Seattle may change the minimum hydraulic gradient at any Point of Delivery once during any fifteen-year period, provided that four years prior notice is given to Cascade. Under emergency conditions or other unusual short-term operating situations Seattle shall not be obligated to meet minimum hydraulic gradients.

D. Cascade may request additional Points of Delivery from the Seattle Transmission System, which Seattle may approve or reject at its sole discretion. Seattle shall establish the minimum hydraulic gradient for any new Point of Delivery at its sole discretion, after consultation with Cascade. Changes in Points of Delivery shall be determined by Management Agreement.

E. No provision of this Agreement shall be construed to require Seattle to provide more than the instantaneous flow identified in Exhibit II. Upon notice by Seattle, Cascade shall immediately reduce Cascade deliveries at a Point of Delivery to not more than those identified in Exhibit II. In the event that Cascade is unwilling or unable to reduce deliveries as required under this provision, Seattle may install and operate flow restricting devices at non-compliant points of delivery, all at Cascade expense.

4.2 Cascade is served, in part, by transmission facilities referred to as the Cascade Sub-regional System listed in Exhibit VII. The costs of operating, maintaining, repairing and replacing these facilities shall be the responsibility of Cascade as outlined in Sections 8.6 and 8.7 below.

4.3 Nothing herein shall restrict Cascade's authority to construct an independent water transmission system for its own water supply.

4.4 Cascade Members have interties, listed in Exhibit I, with adjacent water utilities that are non-Cascade members. Any existing agreements related to the billing and meter reading arrangements for these interties are assumed as a part of this Agreement. If new interconnections between Cascade or Cascade Members and non-Cascade members require similar billing and meter reading arrangements, such arrangements shall be defined in an agreement to be entered into by Cascade, Seattle and the non-Cascade member.

ARTICLE V - WATER QUALITY

Seattle shall be responsible for water quality within the Seattle Water System, and it shall supply water to Cascade, that meets or exceeds federal and state drinking water quality standards, as those standards may change from time to time.

ARTICLE VI - CONSERVATION

Each Party is committed to the principles of water conservation and each intends to achieve its anticipated savings by implementing water conservation programs either unilaterally or in partnership with other agencies.

ARTICLE VII - PLANNING AND SHORTAGE MANAGEMENT

7.1 Each Party recognizes its obligation to plan for water supply and distribution in compliance with the State Department of Health water system planning regulations. Each Party shall develop a water system plan for its service area and the Parties shall coordinate those elements of overlapping responsibilities.

7.2 Cascade and Seattle shall coordinate the development, adoption and implementation of their respective Water Shortage Management Plans. Before invoking its Water Shortage Management Plan, the Parties shall communicate with each other concerning current and projected water supply conditions.

7.3 Seattle has negotiated agreements with federal agencies, state agencies and tribes for the long term preservation and enhancement of watersheds and in-stream beneficial uses and habitat. Such agreements have direct bearing on decisions to curtail the amount of water available for municipal and industrial water supply in any given season. Any water use restrictions imposed under the terms of such agreements shall be borne proportionately by Seattle, its other wholesale customers, and Cascade with respect only to the size of the Cascade Block at the time curtailment is required.

ARTICLE VIII - COST RECOVERY

8.1 The provisions of this Article shall apply to the establishment of fees and charges for water supply and related services beginning January 1, 2004. Prior to that date, the pricing provisions of each Cascade Members' individual water supply contract with Seattle shall be maintained.

8.2 For the purposes of allocating costs of water supply, there shall be two water supply cost pools consisting of an existing Seattle water supply assets cost pool ("Existing Supply Cost Pool") and a new Seattle water supply assets cost pool (the "New Supply Cost Pool").

A. Existing Supply Cost Pool. The costs of infrastructure, including operation, maintenance, repair and replacement of Seattle Supply System Facilities listed in Exhibit IV shall be included in the Existing Supply Cost Pool

B. New Supply Cost Pool. The costs of water supply resources developed in the future ("New Supply Resources") that expand the capacity of the Seattle Supply System, including the costs of the 1% conservation program from January 1, 2004 through 2010 shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply Resources, the costs thereof may be allocated to the Existing Supply Cost Pool by Management Agreement.

8.3 For purposes of determining the cost of the transmission of water to the Wholesale Customers there shall be three transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool"), a new transmission cost pool ("New Transmission Cost Pool"), and a Cascade transmission cost pool ("Cascade Sub-regional System Cost Pool").

A. Existing Transmission Cost Pool. Costs to be allocated to the Existing Transmission Cost Pool shall consist of the following: operation, maintenance, repairs and replacements to the Seattle Transmission System Facilities listed in Exhibit V. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool by Management Agreement.

B. New Transmission Cost Pool. The cost of new transmission facilities shall be included in the New Transmission Cost Pool. A portion of the renewal, replacement or modification of existing transmission facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool.

C. Cascade Sub-regional System Cost Pool. The costs of operating, maintaining, repairing and replacing the Cascade Sub-Regional System Facilities owned by Seattle and listed in Exhibit VII shall be included in the Cascade Sub-regional System Cost Pool, in an amount proportionate to the use of the facilities by Cascade, together with any other costs Cascade and Seattle agree to include by Management Agreement. In the event that Cascade ceases to receive water through one or more of the facilities in the Cascade Sub-regional System, these facilities may be decommissioned at Seattle's sole discretion, and Cascade shall pay Seattle for the remaining Net Book Value of the decommissioned facilities in an amount proportionate to the use of the facilities by Cascade together with any decommissioning costs.

8.4 A. If Seattle determines that changing the location of a Cascade Point of Delivery is required for the improved operation of the Seattle Transmission System then such costs shall be included in the Existing Transmission Cost Pool. Seattle shall notify Cascade of any proposed changes to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities.

B. The costs of replacing, relocating, maintaining or improving Cascade Points of Delivery for any other reason than Section 8.4.A. shall be borne by Cascade regardless of the cause provided that such cause is consistent with AWWA and safety standards and practices. Costs will be invoiced and due in 30 days upon receipt or as otherwise provided for by Management Agreement. Seattle shall notify Cascade of any proposed improvements to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities.

8.5 Seattle shall maintain a cost accounting system consistent with the provisions of this Agreement and generally accepted accounting principles consistently applied in developing the financial information for determining the costs of construction, replacement, maintenance and operation of the facilities in each cost pool.

A. Asset Accounts. An asset account shall be maintained for each facility and within that account Seattle shall record the original cost of that facility plus betterments and less retirements.

B. Depreciation. Facilities shall be depreciated according to Standard Water System Asset Lives and a record of life-to-date depreciation shall be maintained for each facility. No depreciation shall be recorded in the first calendar year of operation of a facility. A full year's depreciation shall be recorded in every subsequent year.

C. Net Book Value. The net book value of any facility shall be its original cost plus betterments and less retirements as recorded in its facility asset account, less life-to-date depreciation.

8.6 Costs in each cost pool shall be calculated as follows:

A. Infrastructure Costs. Each cost pool shall include the infrastructure costs for its respective facilities, calculated on a utility, cash or other basis depending upon the facility and the cost pool as set forth below.

1. Utility Basis. The utility basis shall be used to calculate the infrastructure costs for all Existing Supply Facilities, all Existing Transmission Facilities, and all Cascade Sub-Regional System facilities, as well as their replacements and betterments. Under the utility basis, the infrastructure cost for a facility in any year shall be the sum of (i) the annual depreciation expense recorded for that facility and (ii) the product of the net book value of that facility and the Rate Of Return On Investment. At Seattle's discretion, interest costs may be considered current infrastructure costs during the construction of a facility. However, any such interest costs must then be considered contributions in aid of construction, and not included in the Net Book Value of the facility for purposes of calculating Utility Basis costs in future years.

B. Operations Costs. The costs of operating the assets assigned to a cost pool shall be included in the cost pool. The annual operations costs of a cost pool shall be the labor, materials, equipment and other direct costs required for the operation and maintenance of the facilities in that cost pool, together with any net profit or expense from the disposition of facilities in that pool. Operations costs shall include the cost of general and administrative overhead applied in a manner consistent with its application to facilities construction projects.

1. Existing Supply Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Supply Cost Pool shall be as follows: The Operations Cost base in the Existing Supply Cost Pool for the year 2001 shall be $17,780,262.00. In each succeeding year, the amount from the previous year shall be adjusted by the percentage change in the total cost of all the supply cost centers identified in Exhibit VI, except that the increase in treatment operations costs caused by the first full year start-up of the Cedar Treatment Plant at Lake Youngs in or around 2005 shall not be included in the percentage adjustment. Any increase in Cedar Treatment operations costs for the first full year of operation of the plant shall instead be added directly to the Operations Cost total from the prior year as adjusted by the index. For each year after the first full year of operation, increases in Cedar Treatment operations costs shall be included in the adjustment index.

2. Existing Transmission Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Transmission Cost Pool shall be as follows: the Operations Costs base in the Existing Transmission Cost Pool for the year 2001 shall be $4,531,931.00. In each succeeding year, the amount of these

costs from the previous year shall be adjusted by the percentage change in the total cost of all the transmission cost centers identified in Exhibit VI.

3. Cascade Sub-regional System Cost Pool Operating Costs. Cascade Sub-regional System Cost Pool Operating Costs shall include: (i) the actual costs of operating the facilities listed in Exhibit VII in proportion to the actual use of such facilities by Cascade; (ii) the electricity costs paid by Seattle after the effective date of this Agreement, in accordance with certain contracts effective on or before January 1, 2002 identified in Exhibit I, for pump stations owned and operated by Cascade Members and connected to the Tolt East Side Supply Line; and, (iii) any other costs approved by Management Agreement shall be Cascade Sub-regional System Cost Pool Operating Costs.

C. Disposition Costs. The costs of disposing of assets within a cost pool shall be included in the cost pool. Net disposition costs shall be calculated as follows:

1. Disposition under the Utility Basis. The net book value of the facility, less any sales, salvage, or other revenues derived from the disposition of that facility.

8.7 The costs in cost pools shall be allocated to Cascade as follows:

A. Allocation of Existing Supply Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Cascade Block and the costs in the Existing Supply Cost Pool divided by the Firm Yield.

B. Allocation of New Supply Cost Pool. Cascade shall pay none of the costs in the New Supply Cost Pool.

C. Allocation of Existing Transmission Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Cascade Block and the costs in the Existing Transmission Cost Pool divided by the Firm Yield.

D. Allocation of New Transmission Cost Pool. Cascade shall pay none of the costs in the New Transmission Cost Pool.

E. Allocation of the Cascade Sub-regional System Cost Pool. Cascade shall pay costs in the Cascade Sub-regional System Cost Pool as follows:

1. 100% of the costs associated with all facilities listed in Exhibit VII.A.

2. A proportionate share of those facilities listed in Exhibit VII.B. based on flows of Cascade Members. Costs will be allocated based on Peak 7 Day flows through each segment. In the event that Peak 7 Day flow data is not available, Peak Month flows may be substituted.

8.8 Cascade shall pay the costs of penalties for exceeding the Cascade Block, as defined in Section 8.10 and any other costs requiring invoice by Seattle within 30 days of invoice by Seattle.

8.9 Cascade shall pay the annual costs allocated to Cascade in accordance with Section 8.7 as follows:

A. Prospective Cost Estimate. Seattle may conduct a cost estimating study to revise estimates of the annual costs allocable to Cascade upon 120 days notice to Cascade. Cascade shall pay Seattle according to the estimated annual costs in such study, provided that not more than five years has elapsed from the time a study is conducted to the year in which the estimates from that study are used. Each study shall estimate the annual costs for not less than the five following years.

B. Statement of Annual Costs. On or before December 1st of each year, Seattle shall notify Cascade of Cascade's annual cost for the next year. Such annual cost shall be the sum of the prospective cost estimate determined in accordance with Section 8.9A and the amount of excess or deficit identified in the most recent cost audit performed in accordance with Section 8.9D. On or before October 1st of each year Seattle shall provide Cascade with its best, non-binding estimate of the annual cost for the next year.

C. Payment Distribution. On or before the last day of each month, Cascade shall pay Seattle that portion of Cascade's annual cost for that year, calculated pursuant to Section 8.9B, according to the following schedule:

January 5%
February 5%
March 6%
April 6%
May 6%
June 12%
July 13%
August 15%
September 13%
October 7%
November 6%
December 6%

Overdue balances shall bear interest at the rate of 1% per month. In no event shall Cascade be required to pay Seattle a monthly payment during a year until at least 30 days after Seattle provides Cascade with a statement of annual costs for that year, and such payments shall not be considered overdue, until 30 days after such statement is provided to Cascade.

D. Cost Audit. No later than August 1 of each year, Seattle shall provide a statement of actual costs allocated to each cost pool and other costs and revenues received during the prior year, which statement shall be examined by an external auditor in an "agreed-procedures" engagement. In addition, Cascade may have the statement audited by an external auditor of its choice, solely at Cascade's expense. This statement shall clearly identify the amount by which payments made by Cascade during the prior year were in excess of, or insufficient to meet the actual costs allocable to Cascade for the prior year.

This surplus or deficit shall earn interest at the Rate of Return on Investment, and shall be reduced in accordance with Section 8.9B. No later than December 31 of the year following the termination of the contract, any remaining surplus or deficit balance shall be paid in cash by the party owing the balance to the party to whom the balance is owed.

E. Payment from Gross Revenues. Cascade shall pay the charges out of its gross revenues. Cascade's payments to Seattle pursuant to this Agreement and payments otherwise required or provided for by this Agreement shall be maintenance and operation expenses of Cascade, payable prior to and superior to any charge or lien of any revenue bond issued by Cascade that are payable from the revenues of Cascade. Cascade shall establish rates and collect fees and charges for wholesale water service sufficient to pay for the maintenance and operation of its Water Supply System, including payments to Seattle, and the principal and interest on any and all Cascade revenue obligations that constitute a charge against the revenue of Cascade.

F. Emergency Surcharge. In the event of a catastrophe or other extraordinary condition that requires emergency expenditures to maintain a sufficient water supply, Seattle may impose an emergency surcharge proportionately on all of its retail and wholesale customers, including Cascade in order to pay for such expenditures. Any such emergency surcharge shall be presented to Cascade prior to adoption by Seattle. Seattle shall consider Cascade's comments but shall nevertheless have the full authority to adopt the charge.

8.10 A. Charges will be imposed for exceeding the Cascade Average Annual, Peak Season or Peak Month Block limitations. These charges will be determined through the application of multipliers to the Cascade Volume Charge. The charge for exceeding the Cascade Block, Peak Month or Peak Season shall be calculated by (1) multiplying the Cascade Volume Charge by the appropriate factor in the following table, (2) multiplying by the amount of the exceedance (in MGD) and (3) multiplying by the actual number of days in the year, Peak Month or Peak Season, whichever is applicable.

Category	0 to 1 MGD	>1 to 3 MGD	>3 MGD
Annual Average Daily Demand	1.0	1.1	1.2
Peak Month Demand	1.5	9.1	16.7
Peak Season Demand	1.5	3.1	4.7

B. In the event that the Cascade Block, Peak Season or Peak Month limitations are exceeded in 2 or more years during any consecutive five-year period, the following charges apply:

Category	0 to 1 MGD	>1 to 3 MGD	>3 MGD
Annual Average Daily Demand	1.0	1.2	1.2
Peak Month Demand	1.5	16.7	16.7
Peak Season Demand	1.5	4.7	4.7

C. In the event of a charge for exceeding the block occurs in more than one category in either a single year or in multiple years during any consecutive five-year period, only the category that results in the highest charge will be assessed.

8.11 Except in the case of an emergency, the provisions of Section 8.10 shall be applied reciprocally to Seattle to calculate credits to Cascade, should Seattle fail to deliver the Cascade Block as required by this Agreement.

ARTICLE IX - ADMINISTRATION

9.1 Seattle shall own and maintain appropriate metering devices to measure the water flowing from the Seattle Water System to each Point of Delivery. At Cascade's request and sole expense, Seattle will install and maintain equipment selected by Cascade and approved by Seattle to transmit signals to recording equipment of Cascade or its Members (located elsewhere) of the amount of water delivered, as measured by Seattle's meters.

9.2 As of the end of the calendar year immediately following the effective date of this Agreement and following a change in Cascade Membership through 2011, Seattle shall pro rate the balances in the Purveyor Balance Accounts among its contract Purveyors (1982 Water Purveyor Contract, Version A or B) and transfer to Cascade the pro rated balance of each Purveyor that is a Cascade Member, provided that such transfer shall occur only once for each Cascade Member.

9.3 Seattle shall keep full and complete books of accounts for the Seattle Water Supply System and Seattle's retail distribution system in compliance with current standards required by the State Auditor. Cascade, at its own expense, may at any time audit Seattle's book of accounts using the services of a public accounting firm and Seattle shall make the books and records of the Seattle Water System and Seattle's retail distribution system available to such auditors during reasonable business hours upon reasonable notice at the place where such records are normally kept. Seattle shall provide adequate facilities; i.e., room and workspace, so the audit can be performed. Seattle shall have reciprocal rights to audit Cascade books and accounts.

9.4 This Agreement shall be interpreted according to the laws of the State of Washington and the venue for any litigation between the Parties concerning its terms shall be in the Superior Court of King County at Seattle. The Parties shall be entitled to specific performance of the terms of this Agreement.

9.5 This Agreement shall inure to the benefit of and be binding upon successors of interest and assigns of the Parties. Neither this Agreement nor obligations to perform hereunder may be voluntarily assigned by either Party without the other Party's written consent, which shall not be unreasonably withheld; provided however, that a change in Cascade's corporate form; e.g., from interlocal organization to another form of organization authorized by Washington law, shall not be considered an assignment. Seattle may not convey the Seattle Water System or its component parts without providing for an assumption of this Agreement and the obligations contained herein by the conveyee. The Parties do not intend

to confer rights or benefits upon any third party. Only a writing executed by the Parties may modify this Agreement.

9.6 All notices relating to this Agreement shall be sent to the following addresses, certified mail, return receipt requested, unless the other Party is previously notified in writing of a change in recipient or address:

To Seattle:	To Cascade:
Director	General Manager
Seattle Public Utilities	Cascade Water Alliance
700 Fifth Avenue, 49th Fl.	1309 114th Ave SE, Suite 300
Seattle, WA 98104	Bellevue, WA 98004

9.7 If any provision of this Agreement or its application is determined by a court of law to be illegal, invalid, or void without rendering performance of this Agreement impossible or infeasible, then the Parties intend that the validity of the remaining provisions of this Agreement or their application shall not be affected and shall continue in full force and effect.

9.8 This Agreement is a contract for the purchase and sale of water and transmission services related to that water and no provision hereof shall be construed to make the Parties partners or joint ventures. Neither Party is the agent of the other nor shall either Party be held liable for the acts of the other on a theory of agency or any other representative capacity.

9.9 In the event of default of any provision of this Agreement, the non-defaulting Party shall issue written notice to the other Party setting forth the nature of the default. If the default is for a monetary payment due hereunder, the defaulting Party shall have thirty (30) days to cure the default. In the event of other defaults, the defaulting Party shall use its best efforts to cure the default within ninety (90) days. If such default cannot be reasonably cured within such ninety (90) day period, the defaulting party shall, upon written request prior to the expiration of the ninety (90) day period be granted an additional sixty (60) days to cure the default.

9.10 In the event of a default in payment by Cascade, Seattle shall have the right to compensation from the constituent Cascade Members up to the proportionate share of each Member's use of the Cascade Block which in the first 15 months of the Agreement shall be established by Exhibit III, and thereafter by the most recent annual report of Cascade Member's proportionate use of the Cascade Block, which proportionate use shall total 100 percent of the Cascade Block. Cascade's annual proportionate use report shall be completed and delivered to Seattle no later than March 31 of each year. Each Cascade Member must acknowledge and accept this individual, contingent liability to Seattle in writing at the time that Cascade enters into this Agreement. Those agencies that later join Cascade in accordance with Section 3.4A shall convey such written acknowledgment to Seattle within one month of joining Cascade. Should any Cascade Member required to do so fail to convey such written acknowledgement, Seattle shall have the unilateral right, upon written notice to Cascade, to reduce the Cascade Block by the amount allocated to such Cascade Member as set forth in Exhibit III, or by Cascade's most recent annual proportionate use report, until such written acknowledgement is provided to Seattle.

9.11 Upon entering into this Agreement, or upon later becoming a Cascade Member, each water utility that is listed in Exhibit III thereby relinquishes its then existing Seattle wholesale contract and the terms and conditions of that contract shall have no further force or effect as to those utilities that are or become Cascade Members.

ARTICLE X - TECHNICAL COMMITTEE

Technical Committees comprising Seattle staff and other affected parties will address day to day operational issues related to the Seattle Water System. Finance cost and rate issues will be addressed independently between the Director of Seattle Public Utilities and the General Manager of Cascade Water Alliance, or their respective designees as provided for in written notice to the other. It is recognized that daily operation of the Seattle Water System may require direct communication between Seattle staff and the staff of the Cascade Members.

ARTICLE XI - DISPUTE RESOLUTION

11.1 Cascade and Seattle shall make good faith efforts to resolve by informal discussion any dispute arising under or in connection with this Agreement. If at any time a Party to a dispute determines that such informal discussions will not result in a resolution, such Party may initiate non-binding mediation of any dispute arising under or in connection with this Agreement. Within ten (10) days of receiving written notice of initiation of non-binding mediation by one or both Parties, each Party shall designate in writing not more than five (5) candidates it proposes to act as a non-binding mediator. The Parties shall within an additional five (5) days select one of the mediators from either list to serve as mediator. Should the parties be unable to agree upon a mediator, a mediator shall be chosen from one of the two lists by the presiding judge of the King County Superior Court at Seattle. Upon selection of the mediator, the Parties shall use reasonable efforts to resolve the dispute within thirty (30) days with the assistance of the mediator. The cost of mediation shall be shared by Cascade and Seattle equally.

11.2 If mediation fails to resolve the dispute within thirty (30) days of selection of the mediator, the Parties may thereafter seek redress in court.

11.3 Pending the decision in any mediation or litigation process pursuant to this section, the Parties to such process shall continue to fulfill their respective duties under this Agreement.

ARTICLE XII - EMERGENCY EVENTS

12.1 The Parties recognize that unforeseen and unavoidable events may occur which would require Seattle to act unilaterally for what it deems to be in the best interest of the general public served by the Seattle Water System; including water shortages resulting from drought circumstances and temporary reduction in water supply associated with turbidity events. Upon the occurrence of an unforeseen or unavoidable event, Seattle shall, to the extent practicable, treat its wholesale and retail customers equally and any curtailment of supply shall be imposed proportionately among those customers. This authority to act

unilaterally carries with it a unilateral responsibility of Seattle to restore, expeditiously, the Seattle Water System to its pre-emergency capability to supply the region.

12.2 Upon occurrence of an unforeseen or unavoidable event that adversely impacts the Cascade Water System, Cascade may request Seattle to temporarily modify or suspend operational or supply provisions of this Agreement and Seattle shall make reasonable efforts to grant such request. Cascade will act expeditiously to restore the Cascade Water System to its pre-emergency capability.

12.3 The time periods for Seattle's performance under any provisions of this Agreement shall be extended for a reasonable period of time during which Seattle's performance is prevented, in good faith, due to fire, flood, drought, turbidity events, earthquake, lockouts, strikes, embargoes, acts of God, war and civil disobedience. If this provision is invoked, Seattle agrees to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance.

ARTICLE XIII - EXHIBITS

Exhibits I through VII are attached hereto and are hereby incorporated by reference into the Agreement as if set forth in full herein.

ARTICLE XIV - COMPLETE AGREEMENT

This Agreement represents the entire agreement between the parties concerning the subject matter hereof. This Agreement may not be amended except as provided in Section 9.5.

THE CITY OF SEATTLE, a municipal corporation

By: _____ DATE: _____
DIRECTOR, SEATTLE PUBLIC UTILITIES

THE CASCADE WATER ALLIANCE, a nonprofit corporation

BY: _____ DATE:_____
CHAIR, BOARD OF DIRECTORS

EXHIBIT I

Other Agreements

A. List of documents, commitments, adjustments, reductions, agreements, and/or written approvals by Seattle regarding the supply, purchase and/or resale of water according to Section 4.4 of this Agreement:

1. Interties and associated agreements with other agencies as referenced in Section 4.4:

Entity/location	Meter Size	Capacity	Type of Service	Comment
Redmond/Union Hill Water Assoc. Water Service Agreement				
Redmond/Union Hill Water Assoc. Agreement for Water System Interties				
Redmond/Woodinville Water District Interlocal Agreement				
Redmond/Woodinville Water District Agreement for Water System Interties				
Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties				
Skyway / WD 25				
Bellevue/Coal Creek				

2. Other pertinent Agreements:

   a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6.B.3 of this Agreement:

      1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)

      2. Between the City of Redmond and the City of Kirkland

EXHIBIT II

POINTS OF DELIVERY, MINIMUM HYDRAULIC GRADIENTS, AND MAXIMUM FLOW RATES OF WATER SUPPLIED

METER SERVICE				MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	MAXIMUM FLOW RATE UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT APPLIES (gpm) [2]
LOCATION	**STATION NUMBER [1]**	**PIPELINE SEGMENT NUMBER[1]**	**SIZE OF METER (IN.)**		
Bellevue (*Redmond)					
132nd Ave. SE & SE 26th Street	59	8	8	425	1,140
128th Ave. SE & Newport Way	56	8	8	435	460
Mercer Is. Pipeline & 108th Ave. SE	66	9	8	420	780
140th Ave. NE & 40th Street*	65	2	10	500	3,360
132nd Ave. NE & NE 14th St.	62	2	12	470	2,955
132nd Ave. NE & NE 24th Street	63	2	10	455	5,590
152nd Ave. NE & NE 8th Street	61	2	24	460	3,810
145th Pl. SE & SE 28th Street	58	3	12	470	3,270
14509 SE Newport Way [2]	60	3	10	525	3,510
128th Ave SE & SE 56th ST [3]	47	8	8	440	Backup to Sta. 55
128th Ave SE & Newport Way [3]	55	8	6	435	230
120th Ave SE & SE 35th ST [3]	46	9	6	425	Backup to Sta. 124
I-90 & Lake Washington Boulevard [3]	50	9	6	425	Fire flow backup
124th Ave SE & SE 38 PL [3]	124	9	8	425	680
128th Ave SE & SE 70th ST [4]	52	8	12	445	1,020

METER SERVICE				MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	MAXIMUM FLOW RATE UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT APPLIES (gpm)
LOCATION	**STATION NUMBER (1)**	**PIPELINE SEGMENT NUMBER(1)**	**SIZE OF METER (IN.)**		
Kirkland / Redmond					
132nd Ave. NE & NE 113th Street	74	1	10	555	4,500
132nd Ave. NE & NE 85th Street	75	1	16	535	4,080
140th Ave. NE & NE 70th Street	72	2	12	520	1,240
Redmond				515	
160th Ave NE & NE 104th Street	165	28	10		740
NE 172nd Street & Tolt Pipeline No. 2	TBD	28	TBD	515	planned new location
Trilogy Parkway NE & NE 125 Street	164	26	10	610	240
Trilogy Parkway NE & NE 125 Street	TBD	26	10	610	planned additional meter
Skyway					
84th Ave. S & S 134th Street	1	10	6	455	210
Beacon Ave S & S 124th Street	5	10	8	455	720
Cornell Ave S & S 112th Street	172	4	6	375	Backup service
Tukwila					
39th Ave S & S 112 Street	11	15	10	460	Backup service
South Center Parkway & Tukwila Parkway	13	13	10	460	2,200
West Valley Hwy & S 162nd Street (emergency only)	14	13	8	460	Backup service
Christensen Rd. & Baker Rd	15	13	8	460	480
53rd Ave S & S 160th Street	16	13	6	460	20

METER SERVICE				MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	MAXIMUM FLOW RATE UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT APPLIES (gpm)
LOCATION	**STATION NUMBER (1)**	**PIPELINE SEGMENT NUMBER(1)**	**SIZE OF METER (IN.)**		
E Marginal Way & S 112th Street	168	15	12	445	810
51st Ave S & S Leo Street	169	12	8	455	60
W. Marginal Place & s 102nd St.	170	5	12	250	80
47th Ave S & S Victor Street	173	12	6	425	Backup service
				TOTAL:	42,190

Notes:

(1) Station and Pipeline Segment Numbers pertain to the demand metering program.

(2) Assumes existing 16-inch sonic meter is replaced with a 10-inch Protectus meter as planned.

(3) These stations to be fully transferred from Coal Creek Water District to Bellevue.

This station is owned by Coal Creek Water District. Assumes Coal Creek submeters 40 percent of total flow (average, peak) through this station to Bellevue.

EXHIBIT III

BLOCK ALLOCATIONS BY INDIVIDUAL WATER UTILITIES

As Measured at the Meter (Net of 2% Transmission Losses)

	Annual Block	Peak Season Factor	Peak Season Block	Peak Month Factor	Peak Month Block
CWA	**30.3**		**41.0**		**51.2**
Existing Purveyors	**30.28**		**41.02**		**51.23**
Bellevue	17.67	1.35 a, b	23.85	1.70 f, b	30.04
Kirkland	4.40	1.35 a, b	5.94	1.70 f, b	7.48
Redmond	4.56	1.35 a, b	6.16	1.70 f, b	7.75
Skyway	0.48	1.12 a, c	0.54	1.32 f, c	0.63
Tukwila	3.17	1.43 a	4.53	1.68 f	5.33
New Purveyors	**0.00**		**0.00**		**0.00**
Covington	0.00	1.24 e	0.00	1.45 e	0.00
Issaquah	0.00	1.24 e	0.00	1.45 e	0.00
Sammamish Plateau	0.00	1.24 e	0.00	1.45 e	0.00
NON-CWA					
Existing Purveyors	**42.38**		**54.86**		**68.30**
Bothell	1.62	1.42 a	2.30	1.78 g	2.88
Cedar River	2.83	1.45 a	4.10	2.08 f	5.89
Coal Creek	0.94	1.42 a	1.33	1.90 f	1.79
Duvall	0.83	1.34 a	1.11	1.66 f	1.38
Edmonds	0.00	1.00	0.00	1.00	0.00
Highline	6.89	1.22 a	8.41	1.45 f	9.99
Mercer Island	2.15	1.44 a	3.10	1.86 f	4.00
Northshore	6.05	1.31 a	7.93	1.64 f	9.92
Olympic View	1.02	1.14 a	1.16	1.53 f	1.56
Shoreline	1.91	1.24 a	2.37	1.55 f	2.96
Soos Creek	4.62	1.17 a	5.41	1.27 f	5.87
Woodinville	5.57	1.42 a	7.91	1.84 f	10.25
WD 20	2.73	1.22 a, d	3.33	1.47 f, d	4.01
WD 45	0.30	1.22 a, d	0.37	1.47 f, d	0.44
WD 49	1.39	1.22 a	1.70	1.39 f	1.93
WD 85	0.11	1.22 a, d	0.13	1.47 f, d	0.16
WD 90	0.93	1.27 a	1.18	1.67 f	1.55
WD 119	0.42	1.16 a	0.49	1.62 f	0.68
WD 125	2.07	1.22 a, d	2.53	1.47 f, d	3.04

Notes:
a. Based on water purchased from Seattle in 1998, which was the year in the period from 1994 to 2000 with the highest total system peak season factor. Billing data from May 22-Sept 22, 1998, was used to compute the factors.
b. Total average peaking factor for Bellevue, Kirkland and Redmond, since Redmond purchases Seattle water from Bellevue and Kirkland.
c. Based on total from Bryn Mawr and Skyway, which merged in 2001.
d. Total average peaking factor for W.D. 20, 45, 85, and 125, since these water districts operate as a consortium.
e. System average
f. Based on water purchased from Seattle in 1998, which was the year in the period from 1994 to 2000 with the highest total system peak month factor. Demand Metering data and Allocation Factor calculations for July 17-August 15, 1998, was used to compute the factors.
g. Because of possible metering errors during the peak month for Bothell in 1998, peak month factor is based on August purchases from Seattle in 2000.

EXHIBIT IV

Seattle Supply System Facilities

1. **Cedar Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the Cedar River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - All facilities located within the Lake Youngs Reservation as defined by Seattle ownership of the land except for conveyance facilities used to transport finished water during non-emergency operation
   - All facilities located within the Lake Youngs Aqueduct, the Landsburg Tunnel, and the Lake Youngs Supply Lines right-of-way, including the right-of-way itself
   - Existing Morse Lake Floating Pump Stations

2. **Tolt Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the South Fork Tolt River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - Tolt Treatment Facility

3. **Highline Wellfield**
   - Riverton Wells, including all pumping and treatment equipment, original yard piping, to the connection to CRPL4, and the low flow piping to Riverton Reservoir
   - Boulevard Well, including all pumping and treatment equipment, and all piping up to the connection to CRPL4

4. **Other**
   -
   - One Percent Conservation Program through December 31, 2003
   - Commercial Incentive Program through December 31, 2003
   - Commercial Toilet Retrofit Program through December 31, 2003
   - Showerhead retrofit Program through December 31, 2003
   - The Seattle Forecasting Model (SEAFM Model)
   - GIS Projects related to facilities identified herein as part of the Seattle Supply System

EXHIBIT V

Seattle Transmission System Facilities

1. Pipelines

- Tolt Pipeline No. 1 from the outlet of the Tolt Treatment Facility (TTF) to Lake Forest Reservoir, including any transfer and ancillary small diameter parallel pipes *(Note: Includes TPL1 and TPL2 between the Reg. Basin and TTF in Supply!)*
- Tolt Pipeline No. 2 (where constructed), including any transfer and ancillary small diameter parallel pipes
- Tolt Tieline
- Tolt Eastside Supply Line (from TESS Junction to the intersection of SE 16th ST and 145th Place SE)
- Tolt Eastside Line Extension (from the intersection of SE 16th ST and 145th Place SE to Eastside Reservoir)
- The 540 head Pipeline from Maple Leaf Reservoir to Lake Forest Reservoir
- Lake Youngs Bypass No. 4 from the outlet of each of the Cedar Treatment Facility clearwells to Control Works
- Lake Youngs Bypass No. 5 from the outlet of each of the Cedar Treatment Facility clearwells to the Lake Youngs Tunnel
- The Lake Youngs Tunnel (from the original lake outlet to Control Works)
- The Maple Leaf Pipeline (from the intersection of 18th Avenue E. and E. Prospect Street to Maple Leaf Reservoir)
- Cedar River Pipeline No. 1 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- Cedar River Pipeline No. 2 from Control Works to the intersection of 12th Avenue E. and E. Olive Street
- Cedar River Pipeline No. 3 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- 30" intertie between Cedar River Pipelines 2 and 3 in east Olive Street
- Cedar River Pipeline No. 4 from Control Works to the West Seattle Pipeline
- Cedar Eastside Supply Line (from the Cedar Wye to the intersection of SE 16th St and 145th Place SE)
- West Seattle Pipeline from Augusta Gatehouse to Cedar River Pipeline 4
- The 8th Avenue S. Pipeline between S. 146th Street and S. 160th Street
- The Bow Lake Pipeline (between 8th Avenue S. and CRPL 4, and as relocated outside runways at Seatac Airport)
- The Burien Feeder (in S. 146th Street between 8th Avenue S. and CRPL 4)
- The Fairwood Line (between Fairwood Pump Station and Soos Reservoirs)
- The 24-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
- The 12-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
- The 630 head pipeline between Lake Youngs Pump Station and the Cedar River WSD pump station at the eastern boundary of the Lake Youngs Reservation

2. Reservoirs, Tanks, and Standpipes, including overflow pipes, all valves, appurtenances, and disinfection facility located on the premises of each storage facility, unless otherwise noted

- Lake Forest Reservoir
- Eastside Reservoir
- Riverton Reservoir
- Maple Leaf Reservoir (excluding Roosevelt Way Pump Station and its suction and discharge piping, Maple Leaf Tank and 520 zone piping, except where solely serving the disinfection facility)
- Soos Reservoirs

3. Pump Stations, Major Valve Structures, and other Facilities

- TESS Junction Pump Station
- Lake Hills Pump Station
- Maplewood Pump Station
- Maple Leaf Pump Station
- Bothell Way Pump Station
- Fairwood Pump Station
- Lake Youngs Pump Station
- The Control Works
- Augusta Gatehouse
- Eastgate Pump Station

The facilities include the appurtenances to the transmission lines including but not limited to rights of way, line valves, system meters and remote automation devices. The facilities also include the existing meters, vaults and related equipment at all wholesale points of delivery to the extent that the costs of such meters, vaults and related equipment were unamortized as of December 31, 2003. New and replacement meter installations shall be treated consistent with Section 8.4B.

EXHIBIT VI

Cost Centers Used for Operations Cost Indices

The following costs centers or successor cost centers that capture the direct costs of operation of Existing Supply Facilities, Existing Transmission Facilities and the 1% Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the 1% Program in the New Supply Cost Pool.

Supply

Program	Project	Project Name	Activity
Communications	N1203	Communications Activity Group	N120304 Purveyor Relations
Audit & Accounting	N3303	Customer Audit	N330303 Purveyor Audit
Watershed Management	N5401	Program Management	N540194 Department Support
Watershed Management	N5401	Program Management	N540195 General Expense
Watershed Management	N5401	Program Management	N540196 General Management
Watershed Management	N5401	Program Management	N540197 Training
Watershed Management	N5401	Program Management	N540198 Safety
Watershed Management	N5401	Program Management	N540199 Personnel
Watershed Management	N5401	Program Management	N540289 Capital Purchase
Watershed Management	N5403	Support Services	N540301 Modified Duty
Watershed Management	N5403	Support Services	N540302 Procuring/Paying/Receiving
Watershed Management	N5403	Support Services	N540303 Vehicle Equipment Downtime
Watershed Management	N5404	Watershed Protection	N540401 Hydrological Data Collection
Watershed Management	N5404	Watershed Protection	N540402 Fire Protection
Watershed Management	N5404	Watershed Protection	N540403 Inspection
Watershed Management	N5404	Watershed Protection	N540404 Boundaries
Watershed Management	N5405	Facility Management	N540501 WS Grounds
Watershed Management	N5405	Facility Management	N540502 WS Buildings
Watershed Management	N5405	Facility Management	N540503 WS Facilities & Roads
Watershed Management	N5406	Watershed Road Maintenance	N540601 Grade/Gravel/Ditching
Watershed Management	N5406	Watershed Road Maintenance	N540602 Bridges/Streams Culvert
Watershed Management	N5406	Watershed Road Maintenance	N540603 Roads/Row/Vegetation Cutting
Watershed Management	N5406	Watershed Road Maintenance	N540604 Tolt Roads & Streams
Watershed Management	N5407	Watershed Operations Support	N540701 Veh/Equipment Management
Watershed Management	N5407	Watershed Operations Support	N540702 Veh/Equip/Tool Repair
Watershed Management	N5408	Water Quality & Hydrology	N540801 Water Quality Monitoring
Watershed Management	N5408	Water Quality & Hydrology	N540802 Hydrological Monitoring
Watershed Management	N5409	Public/Cultural Programs	N540901 Recreation Planning
Watershed Management	N5409	Public/Cultural Programs	N540902 Management & Research
Watershed Management	N5409	Public/Cultural Programs	N540903 Watershed Education
Watershed Management	N5409	Public/Cultural Programs	N540904 Watershed Public Information
Watershed Management	N5410	Wildlife & Fisheries Programs	N541001 Program Planning & Evaluation
Watershed Management	N5410	Wildlife & Fisheries Programs	N541002 Interagency/Public Involvement
Watershed Management	N5410	Wildlife & Fisheries Programs	N541003 Ecological Monitoring & Research
Watershed Management	N5410	Wildlife & Fisheries Programs	N541004 Habitat & Species Inventory
Watershed Management	N5410	Wildlife & Fisheries Programs	N541005 Habitat Enhancement/Restoration
Watershed Management	N5411	Resource Information Mgmt	N541101 Program Plan/Evaluation
Watershed Management	N5411	Resource Information Mgmt	N541102 Information Maintenance
Watershed Management	N5411	Resource Information Mgmt	N541103 Information Services
Watershed Management	N5412	Special Projects	N541202 Silviculture
Watershed Management	N5412	Special Projects	N541205 Land Exchanges/Acquisitions

Program	Project	Project Name	Activity
Watershed Management	N5415	Cedar HCP	N541501 ASSESS OF EXPAND FOREST STAND
Watershed Management	N5415	Cedar HCP	N541502 ASSESS EXPAND FOREST ATTRIBUTE
Watershed Management	N5415	Cedar HCP	N541503 AUGMENT FOREST HABITAT INV
Watershed Management	N5415	Cedar HCP	N541504 LONG-TERM FOREST HABITAT
Watershed Management	N5415	Cedar HCP	N541505 OLD-GROWTH CLASSIFICATION
Watershed Management	N5415	Cedar HCP	N541506 RIPARIAN RESTOR PROJECT MONIT
Watershed Management	N5415	Cedar HCP	N541507 UP0LAND FOREST RESTOR PROJ MONT
Watershed Management	N5415	Cedar HCP	N541515 GIS DATA COMPATIBILITY STUDY
Watershed Management	N5415	Cedar HCP	N541516 FOREST HABITAT MODELING
Watershed Management	N5415	Cedar HCP	N541517 SPECIE HABITAT RELATION MODEL
Watershed Management	N5416	Cedar HCP	N541601 CRHCP GIS SUPPORT
Watershed Management	N5416	Cedar HCP	N541603 CRHCP TECHNICAL SUPPORT
Watershed Management	N5417	Cedar HCP	N541701 ROAD MAINTENANCE
Watershed Management	N5418	Cedar HCP	N541801 EXPERIMENTAL STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541802 LONG-TERM STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541803 AQUATIC RESTORATION MONITORING
Watershed Management	N5418	Cedar HCP	N541804 BULL TROUT SURVEYS (ADULT)
Watershed Management	N5418	Cedar HCP	N541805 BULL TROUT SPAWNING SURVEY
Watershed Management	N5418	Cedar HCP	N541806 BULL TROUT FRY/JUVENILE SURVEY
Watershed Management	N5418	Cedar HCP	Riparian Zone Studies
Watershed Management	N5418	Cedar HCP	N541809 BULL TROUT STREAM DISTRIBUTION
Watershed Management	N5418	Cedar HCP	N541810 BULL TROUT REDD INUNDATION STU
Watershed Management	N5418	Cedar HCP	N541811 COMMON LOON MONITORING
Water Quality & Supply	N5503	Water System Operations	N550301 Water Management
Water Quality & Supply	N5503	Water System Operations	N550302 Water System Control
Water Quality & Supply	N5503	Water System Operations	N550303 Anadromous Fishery Mgmt
Water Quality & Supply	N5503	Water System Operations	N550304 SCADA Management
Water Quality & Supply	N5503	Water System Operations	N550305 Highline Well Field
Water Quality & Supply	N5503	Water System Operations	N550306 Morse Lake PS
Water Quality & Supply	N5503	Water System Operations	N550307-SAFETY PROCESS MGMT COMPLIANCE
Water Quality & Supply	N5503	Water System Operations	N550308-EPA RISK MGMT COMPLIANCE
Water Quality & Supply	N5504	Water System Analysis	N550401 Eng Analysis/Modeling
Water Quality & Supply	N5504	Water System Analysis	N550402 Water Rights Mgmt
Water Quality & Supply	N5504	Water System Analysis	N550403 DEMAND METERING
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550501 Monitoring, Reporting & Admin
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550502 Cholrination Facilities O&M
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550503 Watershed Management
Water Quality & Supply	N5506	Total Coliform Rule Compl.	N550601 Monitoring, Reporting & Admin

Program	Project	Project Name	Activity
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550801 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550802 Corrosion Trtmnt Facil O&M
Water Quality & Supply	N5509	Fluoridation Program	N550901 Fluoridation Program O&M
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551001 Otr Reg/Operational Analysis
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551002 Disinfection By-Product Rule
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551003 Limnology
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551005 WQ Lab
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551006 DW Reg Dev & App Research
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551007 Public Information/Notification
Water Quality & Supply	N5511	Special Projects	N551104 LIMS & QA/QC
Water Quality & Supply	N5512	Cedar HCP	N551201 INTERIM CHINOOK COHO
Water Quality & Supply	N5513	Cedar HCP	N551301 HCP STREAMFLOW GAUGING
Water Quality & Supply	N5513	Cedar HCP	N551302 SWITCHING CRITERIA STUDY
Water Quality & Supply	N5513	Cedar HCP	N551303 STEELHEAD REDD MONITORING
Water Quality & Supply	N5513	Cedar HCP	N551304 CHINOOK STUDIES
Water Quality & Supply	N5513	Cedar HCP	Salmonid Studies
Water Quality & Supply	N5514	WQ Monitoring	N551403 DRINKING WATER QUALITY MONITOR
Water Quality & Supply	N5515	HCP Fisheries	N551501 FRY CONDITION AT RELEASE
Water Quality & Supply	N5515	HCP Fisheries	N551502 FRY MARKING & EVALUATION
Water Quality & Supply	N5515	HCP Fisheries	N551503 FRY TRAPPING & COUNTING
Water Quality & Supply	N5515	HCP Fisheries	N551504 FISH HEALTH
Water Quality & Supply	N5515	HCP Fisheries	N551505 SHORT-TERM FRY REARING
Water Quality & Supply	N5515	HCP Fisheries	N551506 LAKE WASHINGTON PLANKTON STUDY
Water Quality & Supply	N5515	HCP Fisheries	N551508 ADULT SURVIVAL DISTRIBUTION
Water Quality & Supply	N5515	HCP Fisheries	N551509 PHENOTYPIC & GENETIC STUDY
Water Quality & Supply	N5516	Tolt DBO	N551601-CONTRACTOR PAYMENTS
Water Quality & Supply	N5516	Tolt DBO	N551603-MANAGEMENT COSTS
Resource Planning	N5609	Water Resource & Habitat Issues	N560903-ESA

Transmission

Program	Project	Project Name	Activity
Water Operation	N6540	WT - Headwork/Storage	N654001 Program Maintenance
Water Operation	N6540	WT - Headwork/Storage	N654002 Event Driven Repairs
Water Operation	N6541	WT - Transmission Pipeline Maint	N654101 Program Maintenance
Water Operation	N6541	WT - Transmission Pipeline Maint	N654102 Event Driven Repairs
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654201 Program Maintenance
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654202 Event Driven Repairs
Water Operation	N6543	WT - Grounds/Roads/ROW	N654301 Grade/gravel roads - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654302 Grade/gravel roads - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654303 Bridges/culverts - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654304 Bridges/culverts - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654305 Fences/gates - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654306 Fences/gates - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654307 Mow ROW - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654308 Mow ROW - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654309 Mow Other
Water Operation	N6544	WT - Facility Maintenance	N654401 Program Maintenance
Water Operation	N6544	WT - Facility Maintenance	N654402 Event Driven Repairs
Water Operation	N6545	WT - Castings	N654501 Casting Adjustments
Water Operation	N6546	WT - Customer Services	N654601 Communications/Dispatch
Water Operation	N6546	WT - Customer Services	N654602 Locating/Marking
Water Operation	N6547	WT - Damage by Others	N654701 P/L/ROW/Facility
Water Operation	N6548	WT - Transmission Shops	N654801 Shops/Fabrication
Water Operation	N6549	WT - General Expenses	N654905 Tools/small equipment
Water Operation	N6549	WT - General Expenses	N654906 Standy
Water Operation	N6549	WT - General Expenses	N654907 Truck Inventory
Water Operation	N6549	WT - General Expenses	N654908 Downtime - Job Related
Water Operation	N6549	WT - General Expenses	N654909-DISASTER-EMERG RESPONSE

1% Program

Program	Project	Project Name	Activity
Community Services	N5303	Resource Conservation	N530301 1% Conservation

EXHIBIT VII

Cascade Sub-regional System

The facilities included in this Exhibit incorporate all appurtenances including but not limited to rights of way, line valves, system meters, and remote automation devices.

A. Facilities used by Cascade:

- The NE 8th Street Feeder, from the Cedar Eastside Supply Line to the Bellevue pump station near the intersection of 151st PL NE and NE 8th Street
- The Bel-Red Road Feeder, from the Cedar Eastside Supply Line to the Bellevue Point of Delivery at the intersection of Bel-Red Road and 132nd Ave NE
- The NE 24th Street Feeder, from the Cedar Eastside Supply Line to the Bellevue Point of Delivery near the intersection of NE 24th Street and 132nd Ave NE

B. Other Sub-regional Transmission Facilities used in part by Cascade:

- SEGMENT 1 – Includes use by Bellevue, Coal Creek, Mercer Island, and Seattle and consists of:
  1. The portion of the of the original Mercer Island Pipeline from the tee off the Cedar Eastside Supply Line in Factoria Boulevard SE to the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline (30-inch).

- SEGMENT 2 – Includes use by Bellevue, Mercer Island, and Seattle and consists of:
  1. The portion of the of the original Mercer Island Pipeline from the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline to the west flange of the 20-inch valve west of the Enatai service to Bellevue (30-inch).
  2. The entire 16-inch Mercer Slough Bridge Pipeline (16-inch).

- SEGMENT 3 – Includes use by Tukwila and Seattle and consists of:
  1. The 20-inch pipeline in West Marginal Way from the West Seattle Pipeline to South Director Street.

Seattle may from time to time eliminate facilities from this list provided that it secures the written consent of Cascade in the event that Cascade is served by a tap or meter installation on the facility being eliminated. Seattle shall provide Cascade with 180 days prior written notice of any proposed change.